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No. 7

Accounting and Office Procedure for Handling Instalment Subscriptions to Capital Stock

Graduation Thesis by E. R. Dayton, Pace Institute, New York

PRIOR to the Great War, the bulk of the securities representing investment or proprietary interest in industrial or commercial organizations were owned by a relatively small number of people. This was due, in some measure, perhaps, to the fact that few inducements were made to the small investor by the reputable financing mediums; and when stocks were offered in small denominations and through channels which reached persons able and willing to invest a small amount, they found, all too frequently, that they had purchased nothing but worthless paper.

With the advent of the Great War, however, the aspect was materially changed. Huge sums of money had to be raised by the Government, a large part of it in the form of funded debt, with as little disturbance as possible to the capital already invested in the industries of the Country. The citizenry, fired with patriotism and enthusiasm, proved to be a fertile field for the dissemination of these securities, and in the course of about two years, Liberty Bonds to the amount of \$21,435,370,600 were distributed broadcast throughout the Country.

Investment of Small Savings

The result of this was two-fold. In the first place, the idea of investing small savings in reputable securities rather than in savings banks or in the proverbial "family stocking" took permanent root in the minds of several million people. Secondly, business men and financiers awoke to a realization of the existence of this fact and the possibilities surrounding it, and took steps to avail

themselves of its advantages. As an ultimate consequence, selling organizations were designed to reach this field with high-class investment offerings; and through this medium, many corporations needing new or additional financing are placing their securities in the hands of the small investor.

These operations, in the case of a corporation selling a stock issue of several million dollars, entail the handling of thousands of stock subscriptions. They have imposed additional burdens upon many accounting departments, and have created many new and unusual accounting problems. While such a situation requires only the application of accepted principles, the novelty of the transactions and the importance of an accurate and properly fashioned accounting record seem to warrant an article dealing with the accounting mechanism and practice designed to fulfil the requirements of such a condition.

Method of Securing Capital Stock

In many, if not all, states, subscriptions to the capital stock of a corporation may legally be taken with an initial payment of at least 10 per cent. of the amount thereof, and the balance called in instalments of whatever amount and at whatever times the board of directors may determine (Stock Corporations Law, N. Y., Sections 53 and 54), but in dealing with investors of the class considered herein, it is usually preferable to arrange for the payments to be made in equal monthly instalments. Probably the most popular method is to accept payment of 20 per cent. with the subscription, and the balance, payable 20

LEADING ARTICLES FOR JUNE

*Accounting and Office Procedure for
Handling Instalment Subscriptions
to Capital Stock* - - - - Title-page

Certified Federal Income Tax Returns - Page 102

Pace Club Annual Banquet - - - Page 104

Editorial - - - - - Page 106

The Question and Answer Department - Page 108

Essentials of Industrial Costing - - Page 110

*Students Make First-hand Study of
Business* - - - - - Page 111

per cent. each month for the four succeeding months. Only the foregoing method will be considered in this article.

Such subscriptions, on which at least 10 per cent. of the amount thereof has been paid, constitute accounts receivable, and actions therefor may be maintained by the corporation, or its receiver in the case of insolvency, upon the refusal or failure of the subscriber to fulfil his obligations. These

interim receipt, as shown by Fig. 2, is usually issued, which forms a receipt for the payment made, and evidences the right of the subscriber to receive the stock when issued. This form is described at greater length hereinafter. While such interim receipts may be made either negotiable or non-negotiable, it is more satisfactory to plainly indicate that they are non-negotiable, and void if transferred.

In view of the fact that under this plan of financing subscriptions are usually for small amounts, the number of subscribers will be relatively high if any considerable amount of capital is to be raised. This will entail a great deal of detail work in the accounting department, for which reason the various office operations should be carefully planned to reduce the entire procedure to a matter of routine and to eliminate all unnecessary steps.

It is very helpful in this respect to make use of some mechanical device, such as the addressograph, for the purpose of filling in the names on interim receipts, notices, and other records. Each subscription, when received, is given a serial number, and an addressograph plate is then made, which contains the subscriber's name, address, and serial number, together with code symbols showing the number of shares subscribed for. Filing cards, of size 3 x 5, can also be made, as card-index records of subscribers will be needed by the cashier and bookkeepers.

The additional accounting records necessitated by this work are a Subscriber's Ledger and special ruling in the Cash Receipts Register. A card Ledger may be used for the purpose of keeping the accounts with subscribers, but the writer prefers a tabular Ledger, carrying about fifty accounts to the page, as shown by Fig. 3.

points have been clearly established in New York State by several decisions, among which are *Meyers v. Sturgis*, 123 A. D. 470; *Stoddard v. Lum*, 159 N. Y. 272; *Hatch v. Dana*, 101 U. S. 215; and *Sanger v. Upton*, 91 U. S. 56. It is, therefore, essential that the original subscription agreements, signed by the subscribers, be carefully preserved.

For the purpose of securing subscriptions, it is customary to provide forms containing the necessary agreements relating to the subscription, and having blanks in which may be inserted the name and address of the subscriber, the number of shares, the terms of payment, and directions for the issue of stock-certificates. This subscription agreement is usually filled out in duplicate, the original being signed by the subscriber, and the duplicate being signed by the agent who solicits the subscription and retained by the subscriber. A form of subscription agreement is shown under Fig. 1. The original subscription, together with the initial payment, is then forwarded to the corporation.

In order that the subscriber may have evidence of confirmation on the part of the corporation, an

AUTHORIZED CAPITAL **SUBSCRIPTION TO SHARES IN** **SERIAL No.**

SHARES OF **BLANK CORPORATION**

PR. CT. PFD. STK. **PAR VALUE \$**

SHARES OF **COMMON STOCK** **PAR VALUE \$**

NEW YORK, N. Y. **Date** _____, 19____

I, _____ of _____ hereby agree to purchase _____ shares of the full paid and non-assessable _____% cumulative preferred stock of the **BLANK CORPORATION**, at the par value of \$ _____ per share, to be accompanied by a bonus of _____ shares of the full paid and non-assessable common stock at a par value of \$ _____ as part of the same consideration, with the understanding that no statements, representations, or agreements, are binding upon the said corporation, except such as are contained in this subscription agreement or in the printed literature exhibited by salesman, or as are made by the **Blank Corporation** over the signature of its President, Vice-president, or Treasurer.

I agree to pay for the stock the sum of \$ _____, as follows: \$ _____ (20%) with this subscription, and the balance, \$ _____, in four equal monthly instalments.

It is agreed that when the full amount subscribed has been paid in cash, the Corporation is to issue certificates for the above in the name of _____.

The Corporation reserves the right to reject this subscription and to refund the moneys paid thereunder, within ten days from the date hereof.

FOR THE CORPORATION _____ Subscriber's Signature

Subscriber's Address _____

Fig. 1. Size, 8 1-2 x 11

FOURTH PAYMENT **No.** _____ **Date** _____

Received from person whose name appears on back hereof, Fourth Payment of \$ _____ on account of subscription, bearing above number, to stock of this corporation, **BLANK CORPORATION** By _____

THIRD PAYMENT **No.** _____ **Date** _____

Received from person whose name appears on back hereof, Third Payment of \$ _____ on account of subscription, bearing above number, to stock of this corporation, **BLANK CORPORATION** By _____

SECOND PAYMENT **No.** _____ **Date** _____

Received from person whose name appears on back hereof, Second Payment of \$ _____ on account of subscription, bearing above number, to stock of this corporation, **BLANK CORPORATION** By _____

RECEIPT **No.** _____

BLANK CORPORATION

Received of _____ subscription agreement (bearing name number as this receipt) for _____ shares of preferred stock and _____ shares of common stock of **BLANK CORPORATION**, which subscription is hereby accepted, and \$ _____ being the First payment on account thereof, receipt whereof is hereby acknowledged. This receipt is not negotiable or transferable, and is a receipt for money paid only.

BLANK CORPORATION By _____ Treasurer

SUBSCRIBER'S RECORD OF PAYMENTS

	DATE	AMT.
SECOND PAYMENT		
THIRD PAYMENT		
FOURTH PAYMENT		
FIFTH PAYMENT		

FOURTH PAYMENT **No.** _____ **Date** _____

Enclosed find \$ _____ being the Fourth Payment on account of subscription, bearing above number to stock of **Blank Corp'n.**

SECOND PAYMENT **No.** _____ **Date** _____

Enclosed find \$ _____ being the Second Payment on account of subscription, bearing above number to stock of **Blank Corp'n.**

FIFTH PAYMENT **No.** _____ **Date** _____

Enclosed find \$ _____ being the Fifth Payment on account of subscription, bearing above number to stock of **Blank Corp'n.**

THIRD PAYMENT **No.** _____ **Date** _____

Enclosed find \$ _____ being the Third Payment on account of subscription, bearing above number to stock of **Blank Corp'n.**

Fig. 2. Size, 8 1-2 x 18

The columns headed "Number of Shares," "Commissions Accrued," and "Par Value of Subscriptions," should be totaled each month, for the purpose of posting to General Ledger accounts.

The Cash Receipts Register may be ruled as shown by Fig. 6.

The General Ledger accounts, apart from those used in connection with general accounting, which

it will probably be necessary to open, are as follows:

Subscribers to Capital Account (Controlling Account):

Debit: With the par value of each subscription.

cashier and by the bookkeeper. This procedure will furnish information and facilitate and simplify the checking of records.

As soon as the subscriptions are received, they are passed, with all attachments, checks, money,

etc., to the cashier. The payments are checked against the subscriptions, detached, and entered, the subscriptions going to the addressograph clerk, who makes plates and fills out the interim receipts.

It will be noted that the form of interim receipt, shown in Fig. 2, has three receipt coupons on the left-hand side, and four remittance coupons on the right-hand side. It is perforated between the receipt coupons and the body of the document itself. These forms should be numbered, serially, when printed, and serial numbers should appear on the coupons as well as on the body of the receipt. In addition, the name of the subscriber should be printed on the back of each coupon with the addressograph. After the interim receipt has been filled out, the en-

tire form is pasted to the right-hand side of the subscription blank, and the serial number appearing on the interim receipt is filled in on the subscription blank.

[illegible]

Left-hand Page

[illegible]

Fig. 3. Right-hand Page

Credit: With all payments received on account of subscriptions, and with cancelation of any amounts due thereon.

Commissions on Sales of Capital Stock:

Debit: With the amount of commission paid on each sale of stock.

Credit: Annually, with the amount to be charged to Profit and Loss.

(This account is usually amortized over a period of years with other organization expense.)

Accrued Commissions:

Debit: With the amount of commissions paid.

Credit: With the commissions earned on each sale of stock.

Capital Stock Subscribed:

Debit: With the par value of stock issued. With the balance due on any subscription that is canceled. With the amount of any payment returned to a subscriber, or forfeited by him to the corporation for default of the subscription.

Credit: With the par value of each subscription accepted.

Card-index records of subscribers, both numerical and alphabetical, should be maintained by the

RECEIPT FOR FINAL PAYMENT

Receipt is hereby acknowledged of your remittance, being final payment on your subscription forshares of preferred stock andshares of common stock of the Blank Corporation.

Your stock-certificates are being prepared and will be mailed to you within a few days. If you do not receive the certificates within twenty days from the date of this letter, kindly write or telephone the Corporation.

Very truly yours,
BLANK CORPORATION

Controller

Fig. 4

Each subscription blank, which now has the entire interim receipt bearing the proper serial number attached to the right-hand side, and the left side punched for post binder, is transmitted to the bookkeepers, who enter them, consecutively.

At the end of the month, or regular accounting period, the totals are carried into the various controlling accounts in the General Ledger. The necessary postings, in so far as the accounts peculiar to these transactions are concerned, are illustrated in the following *pro forma* Journal entries:

Controller

(This figure is obtained by taking the combined totals of columns in the Cash Receipts Register headed "Initial Payments on Subscriptions," and "Subsequent Payments on Subscriptions.")

Where the stock is sold by an investment house which maintains its own sales force, and the commission on all sales is paid to one party, no other

any other pertinent information relative to each paid-up subscription, together with the date and number of the stock-certificates when they are issued.

If the volume of subscriptions is sufficient, stock may be issued every day, but unless it is large enough to justify this action, arrangements should be made to issue the stock once or twice a week, on regularly appointed days. It is probable that most of the payments will be made by cheque, and while it is presumed that all such cheques are good, still, the safest rule is to "take nothing for granted." Accordingly, a period of at least a week should elapse between the receipt of the last payment and the issuance of the stock. This will, except in extraordinary cases, allow enough time to insure collection of the check. The register in which the final payments are recorded should also be used as a diary to regulate the date on which stock should be issued.

The actual work of filling out the stock-certificates should be done, theoretically, by the secretary's department. As a general rule, however, there is no such active department, and this labor also may devolve upon the controller's department. In any event, on each day that stock is to be issued, a list should be drawn from the register of subscriptions that are paid up to some prior date, say a week or ten days previous to the date of issue. This list should be made up on the addressograph, in order to insure accuracy of names and other details.

The list, when its correctness is assured, should then be transmitted to one of the officers for the purpose of having the certificates filled out, or the necessary blank certificates may be issued on requisition, and the work of filling them out done in the accounting department. After the certificates are filled out and checked, they are signed by the properly authorized officers and the cor-

porate seal affixed. In all of the operations involving the issue of stock, care should be used to see that all of the steps are performed in accordance with the by-laws of the corporation, and with any resolutions or instructions of the board of directors.

It is customary, if the issue of stock runs to very considerable figures, to have the actual registry and transfer of certificates handled by some professional registrar and transfer agent. This work is usually done by a trust company, and both functions may be discharged by the same agent, if necessary. Many such agents have a certain number of certificates executed in blank by the officers of the corporation, and delivered to the agent, who fills them out and registers them according to directions received from time to time over the signatures of the officers. While this method is no doubt satisfactory, the agent or agents should be required to furnish a bond indemnifying the corporation against loss. The writer is of the opinion, however, that the better practice is to have the certificates filled out and executed in the office of the corporation as they may be required, and then delivered to the agent for registry.

Upon the return of the certificates from the registrar, they must be delivered to the owners. This should be done by registered mail, accompanied by a letter, as shown in Fig. 8, enclosing a receipt, as shown in Fig. 9, to be signed and returned. These receipts should be filed and carefully preserved.

At the end of the accounting period, an entry is passed covering the total par value of stock issued during the period, as follows:

Capital Stock Subscribed	\$xx
To Capital Stock Issued	\$xx
For total of Capital Stock issued, From	
19... to	19..., Certificate No.....
is now enclosed.	

Certified Federal Income Tax Returns

By John T. Kennedy, LL.B., of the Lecture Staff, Pace Institute, Washington

WE are glad to be able to publish below the address on "Certified Federal Income Tax Returns," delivered by Mr. Kennedy before the meeting of the New York State Society of Certified Public Accountants at the Waldorf-Astoria Hotel, New York City, on March 13, 1922.—(EDITOR)

You may liken the present-day conditions respecting Federal tax returns of past years to the throwing of sand into the bearings of our national business machinery. Governments should furnish the lubricants of business—security from enemy invasion, public improvements, scientific industrial research, financial aids, and the like. These are furnished, but their influence in restoring business is offset by the disturbing element of uncertain tax liability for the years 1917 and 1918.

Business organizations which have heavy addi-

tional tax liability hanging over them for these back years number into the hundreds of thousands. Notices of additional assessments for these years are being sent out continuously to business organizations. Others, who have received such notices, experience vexing delays in having doubtful questions settled. Sales of businesses, reorganizations, expansion and development are hindered. An element of grave uncertainty pervades the entire business world at a time when, above all things, certainty should be encouraged.

Urgent is the need for a plan which will speed up the audit of Federal tax returns. Such a plan is needed by the Government. Returns are received by the Government, it should be remembered, every year. Efficient, normal operation demands that at least the bulk of each year's returns should be audited within a year.

If more than one year is required, another year's

returns come in for audit. On the other hand, the interests of the taxpayer demand that tax liability should be ordinarily determined within a year after the filing of the return. Instances in which a longer period would elapse should be exceptional. Now, these instances are the rule. Both from the standpoint of the Government and of the taxpayers, an audit which would ordinarily determine the taxpayer's liability for each year, within a year, is essential to successful tax administration.

Please understand that I do not criticise the splendid work which has been accomplished by the tax authorities. Measured by a comparative standard of Government performance, that work is noteworthy. Contrast what has been done with the years required to settle our Civil War claims, extending beyond a generation. Spanish War claims, likewise, required decades for their settlement. In all fairness, it must be said that the accomplishment of the Income Tax Unit, to date, is without parallel in any branch of government.

What I shall propose is a plan suggested by what has developed in auditing tax returns, and vouched for by certain experienced tax administrators formerly with the Department. I do not claim that all tax administrators have yet approved of this plan. The plan, nevertheless, simply carries out, in principle, what has been adopted by the Department to speed up auditing returns. Nor do I say that it would now be possible for the Government to adopt the plan. You, as public accountants, must make the first move. Until you have made that move, the administrative authorities are powerless to approve what a number of former tax administrators, along with myself, consider the most feasible plan of auditing Federal tax returns.

Deductions from Past Experience

Before presenting the details of this plan, it may be well to establish certain premises. These are that:

1. No plan of auditing yet tried can accomplish this stupendous task.
2. Any plan to be successful must recognize that the Government can not possibly investigate in detail every item affecting Federal tax liability.
3. Since some degree of reliance upon statements of facts and figures, from other than Government sources, is inevitable, the interests both of Government and taxpayer are best served when these are certified by duly accredited public accountants.

I shall briefly review each of these premises.

Not one, but various methods of auditing returns have been tried without complete success. When the task of auditing the 1917 and 1918 returns confronted the Government, the auditing of certain returns of back years was suspended (presumably temporarily) so that efforts might be concentrated on the returns for these two years. The usual method of auditing the returns for these years, with some variations, was then tried. Not sufficient headway was being made and a new plan was put into effect. This plan was to have a pre-

liminary audit only of facts disclosed on the face of the returns, leaving until later a more detailed audit. Consequently, the taxpayer would be advised that an additional tax liability had been found, but that this did not mean a final determination. You are familiar with the dissatisfaction that these letters caused among the taxpayers. No plan yet devised has resulted in the returns of any year being audited, even for the most part, within a period of one year. Consequently, none of these plans may be said to have been successful.

Reliance upon Sworn Statements

A noteworthy development in the auditing of returns has been the increased reliance upon sworn statements of taxpayers. A complete, detailed audit of returns, without dependence upon facts furnished by statements, would mean auditing the books of every taxpayer every year. This is an impossible task. Always, the question is the degree of intensity of the audit, and what part of the work which would attend complete verification may be omitted. Consequently, the Government, to some extent at least, must rely upon sworn or certified statements without detailed investigation.

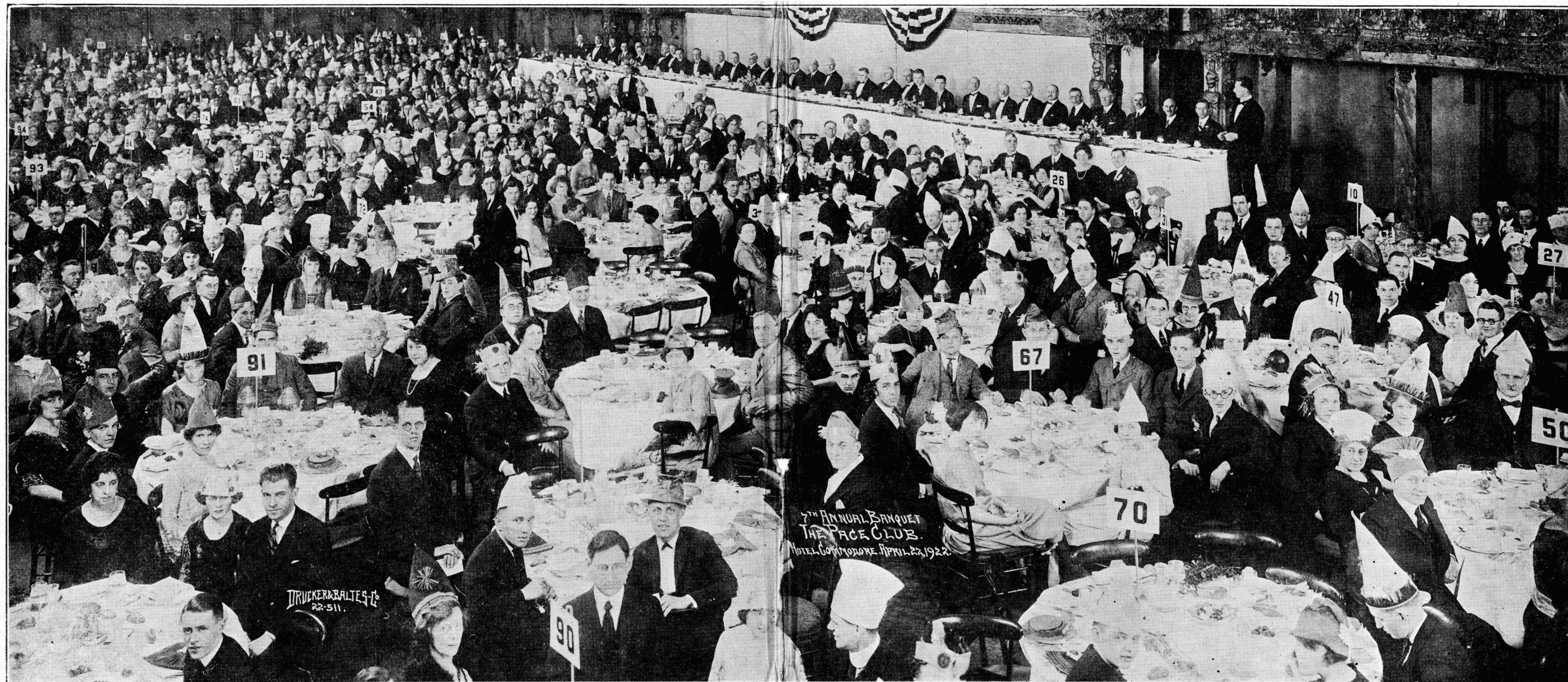
If taxpayers were versed in Federal tax matters, little difficulty would attend the obtaining from them of facts essential to verification. Many of the returns filed by taxpayers lack completeness. The Government writes the taxpayer for the complete facts. To the best of his ability the taxpayer replies. His answer is incomplete. If, after extensive correspondence, no definite result is reached, a field examination ordinarily takes place. The entire procedure means considerable lost motion.

Less difficulty, as a rule, attends the audit of returns prepared by accountants. Naturally, tax questions arise in respect of these returns. But the returns are usually complete, and do not necessitate extensive correspondence which reaches no definite goal. The questions involved, moreover, are, for the most part, shown on the face of the return. This means that a more immediate adjudication of mooted points is ordinarily possible when the return is prepared by a competent accountant than when prepared by the taxpayer.

That some of the returns for 1917 and 1918, prepared by accountants, were inaccurate is not a present-day test of the ability of accountants to do this work. For some time after the passage of the taxation acts the tax authorities, let alone professional men, were at a loss to understand them. Unquestionably, the returns for the later years, at least such as I have examined, demonstrate that the average accountant is now well versed in Federal tax matters.

There is no more credible source from which the Government may obtain facts essential to tax verification than from accountants. Moreover, if the return is prepared from a thoroughly unbiased point of view and certified to by the accountant, it may be safely given considerable credence without detailed fact investigation.

[Forward to Page 107]



PACE CLUB ANNUAL BANQUET OF PACE INSTI-

TUTE, NEW YORK, AND AFFILIATED SCHOOLS

THE picture above shows the grand ballroom of the Hotel Commodore, New York City, as it looked on the evening of Saturday, April 22nd. The great room was filled with students and graduates of Pace Institute, New York, and affiliated schools, assembled for the Annual Banquet. This banquet, as was the one last year, was given under the direct auspices of the Pace Club of New York. Approximately fifteen hundred students, graduates, instructors, and guests sat down together.

Music furnished by the Melbrook Country Club Orchestra greeted the banqueters as they filed into the grand ballroom. The dim lights of the shaded candles on each table, the decorations, and the great crowd of people made a picture never to be forgotten. Noise makers rendered yeoman

service, and grotesque paper hats changed sedate accountants and business men into boys in an instant. The dinner itself left nothing to be desired, and was the best kind of preliminary to the program which followed.

Paul J. McCauley, of the Law faculty of Pace Institute, New York, presided as toast-master in his always able manner. He was roundly applauded when he arose at the conclusion of the dinner and extended to the officers and committees of the Pace Club congratulations upon the successful culmination of their weeks of unremitting effort. He then introduced Messrs. Wing Tabor Wetmore and Geoffrey O'Hara, who, with their inimitable entertainment, kept the banqueters in a continuous uproar for over half an hour. Particularly effective was their presentation of an old time minstrel

show. Mr. O'Hara sang several versions of his internationally known song "K-K-K-Katy," to the great delight of the audience.

Messrs. Homer S. Pace and Charles A. Pace were present and addressed the assemblage. Mr. Charles A. Pace extended a cordial welcome to all present, and in the course of his remarks sounded a note of distinct optimism concerning future opportunities in America for trained men and women. Mr. Homer S. Pace then delivered a brief address in which, among other things, he brought to the attention of his hearers certain fixed conditions which tend to inhibit mental and vocational development. Certainly there was no one in the banquet hall who did not carry away with him from the talks of the Messrs. Pace ideas which he will be able to utilize effectively in his

own program of personal development.

The speaker of the evening was Edward J. Cattell, statistician of the city of Philadelphia. To many of the banqueters, it was like seeing an old friend to have Mr. Cattell rise and face the banquet hall, as he has graced with his presence several former dinners of Pace students. Mr. Cattell seems to grow younger as the years roll on. His message of hope and cheer, of belief in life and its opportunities, was one that his hearers will carry with them for many a day. "Let us be thankful for life," said Mr. Cattell, "and the opportunities which it brings us each day for personal service and personal development." As Mr. Cattell finished, the great assemblage rose and cheered him to the echo.

[Forward to Page 108]

THE PACE STUDENT

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Don't Lose the Customer

MOST organizations know that customers are not obtained for the asking. It costs money to secure them. But these organizations, since they realize that without customers they would soon cease to exist, do not look with disfavor upon any legitimate selling expenditure. They engage good salesmen and pay them well. They spend large sums for advertising in order to keep their name and their goods before the buying public, and to build that necessary concomitant of modern business—good-will. They get out attractive booklets and folders. They aim constantly to impress prospective customers favorably, and to build up in their minds a favorable opinion which makes the actual closing of an order a much easier task than otherwise would be possible.

Unfortunately, in some business houses, this anxiety to create a favorable impression and to build good-will suffers considerable diminution once the customer's name is placed upon the books. From that point, many of his contacts with the house are through various operating departments rather than through sales and publicity channels. Frequently, he finds that he is not getting as much whole-hearted consideration and coöperation after his orders are placed as he did when the company was diligently angling for him in the sea of possible purchasers of their products.

A frequent source of misunderstanding is the handling of adjustments, collections, and complaints. Frequently, the customer may get into a mild argument with the accountant over what appears to be an over-charge on his statement. On the other hand, a customer may have what he considers to be a legitimate complaint because of defects in the last consignment of goods received from the company. At this point, it is extremely important that the customer's complaints be handled with care and due consideration of the fact that if, through careless handling of his case, he should be lost as a customer, it will be a hard and expensive matter to get him back again into the fold. A little show of irritation in a letter received from the house may cause the customer to think that the company feels that he is trying to "put one over on them," and that his complaint is either not grounded on fact or else is materially exaggerated. The man in the home office handling the complaint may feel a little piqued at the whole

situation, and with a rather curt reply lose the business which the company has spent much time and many dollars to obtain.

It is going to be much harder to get that dissatisfied customer back on the books a second time than it was to secure his business in the first place. The same arguments may be propounded, but they will not have the same effect as before, because he has already had one experience with the company, and a rather unpleasant one at that.

Many an organization would do well to give at least as much attention to the careful and courteous handling of customers, once they have been obtained, as they ordinarily accord to prospective purchasers of their goods. Much care should be taken with the letters sent out by the various operating departments. If the man handling the correspondence will only visualize the situation he will realize that he is, in fact, just as much of a salesman as the man who travels from city to city. Sales letters are not the only letters that should be builders of good-will. A letter of adjustment, or a letter handling a complaint, has just as great an opportunity to build good-will for the organization. One handling correspondence of this type should realize that if a customer has a complaint and the complaint be adjusted to his entire satisfaction, he is more than ever "sold" on the company's products and its methods of doing business. No competitor is coming along and, with smooth words and specious arguments, snare him away. An irate customer who has been thoroughly appeased is the best kind of customer.

It is a hard strain for any organization to be continually extending itself to secure new business, part of which will only take the place of business which has been lost largely through carelessness or through the mistaken policy that once a customer has been obtained it is not necessary to worry too much about him.

"Self-Starters"

SOME men have to be set going constantly. Talk with any executive about the people in his department and he is likely to classify them into "self-starters" and the ones he must crank himself. Those in the second group are always a big drag on an executive. It's hard enough to do the planning for a group of people without having to fill them with enthusiasm and set them going.

The man who can generate some of his own enthusiasm, and can set himself going—a "self-starter," in other words—always looms large in the eyes of his chief. Business will always have a place for him, and commensurate rewards ahead.

When you telephone, do you make mysterious-looking marks on your desk-pad, the wall, or any smooth surface that is handy? A famous author once wove a thrilling mystery story around this idea—the idea that under a certain nervous stress, we are likely to make characteristic marks on any convenient writing surface. Watch out! Don't leave your mark on the wall by the telephone. Some one may come along and recognize your work.

Certified Federal Income Tax Returns

(Continued from Page 103)

The plan, then, is to have two classes of returns. One class—those prepared and certified to by accountants—would be certified returns. The other class would be uncertified returns. No obligation would be imposed upon the taxpayer to file a certified return. There would be, however, some assurance that the tax liability would be more quickly determined in respect of certified returns, for reasons next stated.

Substantial reliance upon the facts and figures shown in a certified return would materially reduce the work of auditing returns. Detailed investigation could be made of selected certified returns, for test purposes only. Except for these tests, the facts and figures shown in a certified return could be accepted with that same credence that banking institutions accord the certified statements of public accountants. This would relieve the Department from a heavy, and practically impossible, burden.

Elimination of Work Inevitable

However radical this plan might seem, it is not so when the necessities of the situation are considered. Some elimination of the work is inevitable. Detailed investigation of all facts on returns is impossible. The plan simply proposes that the elimination should be along logical and consistent lines. Since dependence must be placed upon statements of persons not connected with the Government, that dependence may be safely extended to those members of the accounting profession who have assumed a thoroughly impartial attitude toward the entire question of tax determination. As next explained, this would exclude those who continue to advocate reductions of taxes with partiality toward the client. There would be, in respect of each certified return, reasonable assurance of a complete return, sworn to by the taxpayer, and certified to by the accountant.

In my opinion, it would be impossible for the Government to cooperate with the accountants in this way, unless the accountant who certified returns ceased to advocate for reduction of Federal taxes. Whether the accountant was to certify to returns or continue to advocate cases, would be optional with him. He would be required to register with the Department either as a certifier of returns or as an advocate. If he registered as an advocate, he would not be permitted to certify to returns. He might continue to prepare them, but they would be subject to the same detailed investigation as other uncertified returns.

For an accountant to be registered as an impartial certifier of returns, and to advocate with partiality for tax reductions, finds no comparable parallel in other professional practice. Engineers who certify to values seldom appear in tax cases

as advocates. For them to do so would nullify the effect of their certifications to the values. Moreover, a lawyer who accepts appointment to the bench can not continue to be an advocate. When he assumes the impartial rôle, he gives up the one requiring partiality. Nor may a lawyer properly act as referee in a matter, if, ordinarily, he represents one of the contesting parties as an advocate.

Lawyers must ultimately assume more extensively the rôle of advocate in tax cases. This rôle was thrust upon the accountants at a time when few lawyers were versed in tax problems. The number of lawyers now appearing in tax cases is larger, in proportion, than in the earlier years. In addition, an increasing tendency to carry tax cases to court is already evident. If English experience is to be relied upon, extensive litigation of tax questions is to be expected. Once a case is before a court, the lawyer only can be the advocate. The judges who decide cases are recruited from the ranks of the lawyers. Lawyers, even if they would, can not avoid ultimately assuming the responsibilities of the advocate in tax cases.

Not Confined as Certifier

Nor would the plan confine the accountant who registers as a certifier of returns solely as to the work of return preparation. Cases before the Department require preparation of numerous accounting statements. This work would naturally best be done by the impartial accountant, who would certify to these statements in like manner to the certification of returns. Sometimes, these statements assume the proportions of accounting reports. Lawyers, advocating tax cases, would find it to their advantage to enlist the services of accountants for this work, instead of depending, as sometimes is done, upon the bookkeeping staffs of clients.

At the moment, no doubt, some accountants would elect to continue in the rôle of advocates. But the advantages of being an accredited certifier of returns should become so apparent, as time passes, that most accountants will prefer that rôle.

By undertaking to obtain this Governmental recognition, the accountants would perform a genuine public service. If obtained, relief from the uncertainty attending belated tax determination would be accorded the taxpayer. A tremendous burden would be lifted from the shoulders of the Government. Experience justifies that belief that the work of auditing can be completed within a reasonable time only by a substantial reduction in the amount of that work. No other feasible plan, suggested or tried, promises the required diminution of this work. Whether you view it from the standpoint of the Government, or of the taxpayer, or of the accounting profession, the plan of certified Federal tax returns merits your favorable consideration.

Watching the clock-watcher is a well-recognized organization duty in these days of the survival of the fittest. Avoid the clock!

Pace Club Annual Banquet

(Continued from Page 105)

Mr. Homer S. Pace then introduced several prominent Pace graduates—accountants and business executives. He also asked the entire faculty to rise and give the audience an opportunity to see how they looked "en masse." Letters of greeting from several well-known accountants and business and professional men were read by Mr. Pace. Included in the number were letters from C. A. Severance, president of the American Bar Association; Carl H. Nau, president of the American Institute of Accountants; and Durand W. Springer, president of the American Society of Certified Public Accountants.

The retiring president of the Pace Club of New York, John H. Bulin, Jr., made a few well-chosen remarks. He was followed by Arnold D. Lesser, the newly elected president, who urged continued coöperation on the part of all the members in the activities of the Pace Club for the ensuing year.

Dancing furnished a fitting and pleasant close to a long and happy evening. Each banquet seems to be a step ahead of the previous one. The members of the Pace Club of New York and the various committees, under whose direct charge the banquet was held, are deserving of every congratulation upon the well-merited success of the affair.

Delegations from the member schools of the National Federation of Pace Clubs were present, as well as enthusiastic delegations of students from Rider College, Trenton, New Jersey; the Union Carbon and Carbide Company, New York City; the Reo Motor Car Company; and the Drake Business College, of Paterson, New Jersey.

Among the guests were: Joseph T. Anyon, C.P.A., Barrow, Wade Guthrie & Company, accountants and auditors, New York; J. C. Bondurant, president, Pace Students' Association, Washington, D. C.; C. M. Burlingame, C.P.A., Tide Water Oil Company, New York; Paul E. Clark, dean of Pace Institute, Washington, D. C.; F. G. Colley, C.P.A., Arthur Young & Company,

New York; William H. Compton, C.P.A., (N. J.) Trenton, New Jersey; William D. Cranstoun, C.P.A., Hurdman & Cranstoun, certified public accountants, New York; Major Edwin W. Dayton, Boys' Work Secretary, Rotary Club of New York; William L. Felter, Ph.D., principal, Girls' High School, Brooklyn; H. B. Fernald, C.P.A., Loomis, Suffern & Fernald, certified public accountants, New York; J. E. Gill, Rider College, Trenton, N. J.; J. S. M. Goodloe, C.P.A., Loomis, Suffern & Fernald, certified public accountants, New York; O. A. Grundmann, C.P.A., West, Flint & Company, accountants and auditors, New York; Charles B. Howe, A.M., principal, Bushwick Evening Trade School, Brooklyn; F. H. Hurdman, C.P.A., Hurdman & Cranstoun, certified public accountants, New York; O. H. Keller, Ph.B., general manager, Merton Institute, New York; John T. Kennedy, LL.B., practicing attorney, Washington, D. C.; John H. Koch, C.P.A., New York; F. J. Lally, Pace Institute, Boston; Thomas R. Lill, C.P.A. (N. J.), Searle, Nicholson, Oakey & Lill, accountants, auditors, and engineers, New York; Berton L. Maxfield, Ph.B., Niebrugge & Maxfield, attorneys and counsellors at law, New York; Oscar M. Miller, A.B., welfare executive, Standard Oil Company of New Jersey, New York; Mrs. E. K. Pollard, assistant director, Pace Institute, Washington, D. C.; E. E. Rossmore, C.P.A., New York; Charles H. Schnepfe, Jr., C.P.A. (Md.), Charles H. Schnepfe, Jr., & Company, certified public accountants, Baltimore; Herman M. Stein, Stein, Ross & Sack, accountants and auditors, New York; Arthur Todhunter, New York; Ira W. Travell, A.M., superintendent of schools, Ridgewood, N. J.; L. K. Watkins, C.P.A., Buffalo, N. Y.; James F. Welch, C.P.A. (N. J.), president of the Society of Certified Public Accountants of the state of New Jersey, Newark, N. J.; W. B. Whittlesey, C.P.A., Whittlesey & Millar, certified public accountants, New York; Harold A. Wythes, C.P.A., Wythes & Wilson, certified public accountants, New York; H. T. Westerman, C.P.A. (Mo.), New York; P. J. Warner, C.P.A., Ronald Press Company, New York.

The Question and Answer Department

This Department does not publish answers to all of the questions received, but only to those which are deemed to be of general interest to readers of The Pace Student. A communication, in order to receive attention, must contain the name and the address of the person asking the question.

I WILL appreciate it if you will advise me as to the best method of figuring and recording the discount on notes receivable.

Answer:

We assume that you have reference to that discount which arises when a note receivable is discounted at a bank before maturity. Discount is figured on the amount which will be due at maturity. In the case of an interest-bearing note,

the amount would be the principal of the note plus interest. In the case of a non-interest-bearing note, the amount would be merely the principal of the note.

We submit herewith a short problem, the solution of which fully illustrates the manner of calculating and recording this discount. The proposition is as follows:

Make Journal entries to cover settlement of account receivable—\$362.50, of H. G. Goodsell,

by note due in three months, at 6 per cent., the discounting thereof at a bank forty days before maturity at 5 per cent., and the charging back of note for non-payment, with protest fees, etc., of \$1.50.

The solution follows:

BILLS RECEIVABLE	\$362.50	
To H. G. GOODSSELL		\$362.50
For note, 3 mos., 6 per cent., for balance.		
CASH	362.90	
DISCOUNT	2.04	
To BILLS RECEIVABLE		362.50
INTEREST		5.44
For discount of H. G. Goodsell note		
Amount	\$362.50	
6 per cent., 3 mos.	5.44	
	<hr/>	
Discount, 5 per cent., 40 days	2.04	
	<hr/>	
	\$365.90	
H. G. GOODSSELL	369.44	
To CASH		369.44
For note dishonored	\$362.50	
Interest, 6 per cent., 3 mos.	5.44	
	<hr/>	
	\$367.94	
Protest Fees, etc.	1.50	
	<hr/>	
	\$369.44	

PLEASE tell me how to calculate the percentage of profit, given cost and selling price.

Answer:

The matter of calculation of the percentage of profit on cost and selling price is commented upon in the Courses of Pace Institute, as follows:

"Percentages of profit may be calculated either on the cost price or the selling price as a base. The method given in arithmetical text-books and the one practiced in general business, with the exception of merchandising, makes use of the cost price as the base. For example, if a house and lot are bought for \$8,000.00, and sold for \$12,000.00, a profit of \$4,000.00 is secured. The profit is stated at 50 per cent., being 50 per cent. of the cost price of \$8,000.00.

"The general practice among merchants, however, is to calculate the percentage of profit on the selling price as a base. Thus, using the identical figures of the former illustration, if a merchant buys goods for \$8,000.00 which he sells for \$12,000.00, he states the percentage of profit as $33\frac{1}{3}$ per cent., \$4,000.00 being $33\frac{1}{3}$ per cent. of the selling price of \$12,000.00. We thus arrive at two different percentages, because of the different bases, although the amounts involved are the same.

"While in theory the calculation of the percentage on the cost price is probably the sounder of the two methods, there are certain conveniences in arriving at approximate profit figures based on selling prices that justify the practice in the mind of the merchant. In any event, the practice is so general among traders that it amounts to a custom or usage which for practical purposes must be observed. In preparing statements, therefore, it

is necessary, not only to observe to some extent the nature of the business for which the statement is being prepared, but to make clear on what base the percentages are calculated."

The method of figuring profit on sales is widely used in merchandise businesses, and seems to have arisen from the fact that most merchants consider that profits are derived from what goods are sold for and not from the original purchase price.

The ordinary merchant considers his return for services, or sales, as a complete unit, or 100 per cent. He accordingly considers this unit of service to be made up of cost, selling and general expenses, and profit. The amount of profit, being a component part, is, therefore, expressed in terms of a percentage on the selling price. In other words, a merchant wishes to know just how much of each cost element and profit is contained in his selling price. Hence, this is one reason for the custom of figuring profit on selling price.

A practical reason for the figuring of profit on selling price is the ease such a method affords in the process of "marking down" goods. When a merchant faces the situation where he must "mark down" goods to effect sales, it becomes important for him to know exactly how much he can safely "mark down" the goods. If the percentage of profit which is contained in the selling price is known, the amount of profit contained in the selling price may be readily obtained by applying such percentage to the selling price and deducting the resulting amount from the selling price to arrive at the cost of the goods, plus selling and general expenses. The cost of the goods then being known, the merchant can decide upon a new reduced selling price.

We believe that the above two arguments are the principal reasons for the present custom of figuring profit on selling price.

SHOULD the following be treated as expense or additional improvements: painting of house, laying of new flooring, installation of lights, installation of heating apparatus, replacement of boiler?

Answer:

If the items enumerated represent original expenditures and are not replacements of existing facilities, the cost of such items would be of a capital nature and would be charged to the cost of the facilities.

If the items enumerated were in the nature of replacements, the cost of the items would properly be chargeable to reserves for depreciation, which originally would have been set up to provide for replacements and retirements. If the reserve for depreciation is not sufficient at the time of the replacement to cover the cost of the original asset, the difference between such cost and the amount of the reserve for depreciation should be adjusted through Profit and Loss Account. If, on the other hand, the new asset effects an addition to the previously existing asset, the amount of such addition should be considered as a capital expenditure and charged to the cost of the equipment.

Summer Day School at Pace Institute, Boston.

A special Summer Class in Accountancy and Business Administration (Semester A of the Pace Course) will be organized in the Day-School Division of Pace Institute, Boston, on

Monday, July 10, at 9:30

Applications for places in this class should be made to Henry J. Bornhofft, C. P. A. (N.H.), Resident Manager.

Pace Institute

Tremont Temple

Boston, Mass.

A certified public accountant of Philadelphia writes:

I always look forward each month to reading *The Pace Student*. It contains many articles that are both interesting and instructive; and if every one to whom you send it values it as I do, it no doubt has reached a large circulation by this time.

The editor of the house organ of a large optical company writes:

A part of my work is to send various publications and magazines to those who would be most interested in them. In the case of *The Pace Student*, it is sent to the accounting and bookkeeping departments and they, in turn, pass it on to the superintendent of our raw-material stores. I have asked these people what they thought of the magazine, and have received very favorable comments. Each mentioned several different articles which appeared in the magazine in which they were very much interested, and which they considered very helpful.

Another executive writes:

I find *The Pace Student* most interesting and instructive. I pass it along to our office manager who very often finds an article that is of value to him in his work.

The secretary of a retail trade association in New York City says:

The contents of this publication are both interesting and instructive, and while the demands upon my time limit opportunity for reading, I always felt that I could not afford to miss reading *The Pace Student*.

Essentials of Industrial Costing

By George S. Armstrong, C.E., M.E., Consulting Engineer; Member of the American Society of Mechanical Engineers; Associate Member of the American Society of Civil Engineers. 297 pp.: D. Appleton & Company

THIS book reveals its author not only as one who is qualified to treat his subject from the view-point of the trained and experienced engineer, but also as one who is intimately acquainted with economic and accounting principles and their practical application. He gives the student of cost accounting sound theory and practical illustration, and he gives it in a style that is easy and pleasing.

The first two chapters of the book are introductory in character and are devoted to a discussion of (1) the economic development and necessity of costing, and (2) the purpose and function of costing. The following from the discussion of the last-mentioned topic is characteristic of the style and substance of the book:

"Costs contribute to the end of profit by supplying service which may be best appreciated by specific mention, as follows:

1. By determining the rate of maximum return, or by fixing prices for commodities which will result in that volume of sales which will bring the greatest net return.

2. By showing currently, month by month or oftener, a statement of operation indicating profit or loss.

3. By further division of this current statement showing profit or loss by products or classifications, or by territories or by salesmen, and so govern the extension of lines and the promulgation of policies.

4. By showing currently, month by

month or oftener, a Statement of Condition or Balance Sheet based on this operating statement, and the Ledger balances after closing out all the usual accounts through the Profit and Loss account.

5. By avoiding unintelligent competition and furthering the exercise of good business strategy.

6. By compiling and classifying expenses so as to guide the internal control of the business and enable judicious executive action and budgetary control.

7. By presenting data that will permit of a constructive and harmonious wage policy."

Following the above is a full explanation of each of the seven ways in which costing is an aid to business.

After this interesting preliminary discussion, costing proper is taken up in a series of chapters dealing specifically with the mechanism of costing, the elements of costing and sources of costing data, the costing of material, the costing of labor, and the collection of expense in costing. The procedures outlined and the illustrative forms given in these chapters should be of value to the practicing cost accountant who is not already familiar with them. Among the forms given, the specimen expense analysis sheets for selected departments of different types of industrial plants are particularly deserving of the reader's attention.

In the chapter on the costing of depreciation interest and power, there is a

convincing refutation of the arguments for including interest in factory costs. Any one whose mind is not clear on this question will do well to read Mr. Armstrong's arguments. This chapter includes also tables of standard depreciation rates and tables showing horsepower, requirements of machine motors, steam consumption, and cost per horsepower. The figures in these tables are of value for illustrative purposes only, and, of course, are not intended for general application. Next there follows a detailed consideration of the intricate problems involved in the distribution of expense, or overhead, to which is added, by way of illustration, a complete expense analysis for a cutlery manufacturer.

The subject of the final chapter is the connection of costing with the general books and the preparation of monthly statements therefrom. This chapter may be misleading to the student who is not already familiar with the relation of the cost records to the general books, for it is devoted entirely to a specific illustration in which all factory and general accounts are kept in one Ledger, and no mention is made of the fact that a Factory Ledger with subsidiary Ledgers for raw materials, work-in-process, and finished goods often enters in to complicate the bookkeeping procedure.

In this connection, we desire to make one adverse criticism. The author does not make it sufficiently clear that the specific forms and procedures outlined

are merely illustrative; that in some instances they are not even typical; that it is difficult to establish standardized cost systems for particular industries, and impossible to use the same forms and procedures for different types of industries. It is also noted that the terminology and technical arrangement of the illustrative statements of financial condition are not in conformity with the best American practice. While this questionable arrangement may be immaterial in a book on costing, it very naturally catches the eye of the trained accountant.

The book is not satisfactory as a text for beginners, although it is valuable as a reference work and for supplementary study. On the whole, it is sound and practical, and a worth-while addition to the literature of cost accounting.

Class Reunion in Boston

CLASS E502 of Pace Institute of Boston held its second annual dinner at Young's Hotel, on April 3, 1922.

The guests of the evening were Luther Hill, LL.B.; Amos L. Taylor, A.B., LL.B., former instructors; Francis J. Lally of Pace Institute and James C. Higgins, sales manager for Geo. P. Ide & Co. A three-piece orchestra rendered many enjoyable selections during the dinner.

Paul F. Haroth, president of the class, was master of ceremonies. Messrs. Hill, Taylor, and Lally edified the company with interesting talks. Mr. Higgins entertained with Italian dialect stories and poetry, which were particularly timely and greatly enjoyed.

A business meeting followed the speaking at which the following class officers were elected:

President.....Dudley B. Ellis
Vice-president.....James H. Kenney
Treasurer.....Miss Helena J. O'Malley
Secretary.....Miss Sarah J. O'Brien

The following were elected honorary members of the class:

Homer S. Pace, C.P.A. (N.Y.)
Henry J. Bornhoff, C.P.A. (N.H.)
Amos L. Taylor, A.B., LL.B.
Luther Hill, LL.B.
Francis J. Lally
Miss Sarah J. O'Brien

The class voted to assess annual dues of \$5.00 per year, beginning with the year 1922.

The evening finished with singing and dancing, and with a general renewing of old-time friendships.

The class is already planning its third annual dinner to be held in May or June, 1923, which will probably take place at one of the beach resorts.

HURDMAN & CRANSTOUN, certified public accountants, announce the removal of their offices to the Borden Building, 350 Madison Avenue, New York City.

GEORGE F. GRIER, a former student of Pace Institute, New York, is now treasurer of Houbigant, Inc., 16 West 49th Street, New York City, manufacturers of perfumes and toilet waters.

Students Make First-hand Study of Business

FIRST-HAND study of business procedures and conditions is an important part of the education of the accountant. In public practice, he obtains the opportunity for this kind of study as he goes from organization to organization in auditing and constructive work. The training thus secured, while extremely valuable, is governed largely by work conditions, and is not laid out for the systematic development of the individual. Nevertheless, the work provides an exceptional opportunity for the study of business conditions, and accounts largely for the fact that public accountants are often sought for important executive positions.

During his first few years of practice, the accountant is likely to approach his work from the view-point of the general office rather than from the view-point of the shop, and many shortcomings in accounting systems and factory procedures are traceable to a lack of understanding on the part of the accountant of the actual conditions of work. Gradually, the accountant acquires a fuller and better understanding of work conditions, and he is strengthened in his work as he develops the managerial view-point.

Pace Institute conducts in its Day-school Division a field work by means of which students are brought each week into contact with the actual conduct of business activities. The organizations studied include factories, warehouses, wholesale and retail concerns, banks, hotels, and non-profit institutions. The field trips are usually preceded by special lectures, and, whenever practicable, the work of a plant is followed through step by step in the natural order of its progression. A student is taught to observe carefully, to make a careful report of each trip, and to make constructive suggestions. The work performed in thousands of different jobs and positions is thus reviewed, and an understanding of actual business practice is secured. Students who have the benefit of such directed field study adjust themselves quickly to the work of actual practice, and soon develop a practical view-point.

The following extract is taken from a report by Elmore G. Kane, a student in the Day-school Division of Pace Institute, New York, who was recently a member of a party that made a field study of the refineries of the Tidewater Oil Company, located at Bayonne, N. J.

"Probably one of the most fascinating, as well as lucrative industries is the refining of petroleum. In this article, the writer will endeavor to give a brief panoramic view of what he learned on a visit to the refineries of the Tidewater Oil Company, Bayonne, N. J.

"Their supply of crude oil is obtained chiefly from Pennsylvania, the Mid-continent field, and Mexico. It is transported by means of railroad tank cars, oil steamers, and pipe lines; more by the latter method than by the first two combined.

"From the tanks, where it is stored upon arrival, the oil is pumped to a still,

under which is a fire, and is subjected to heat until it reaches the boiling point. At this point it becomes vaporized, and is then passed through condensers to return it to a liquid state. This ends the first period of distillation.

"It is then led to the receiving room, where it is tested and gauged, and finally separated at the proper moment into its three major products. These are: crude naphtha, from which we obtain gasoline and the various grades of naphtha; refined oil distillate, which is the source of illuminating oils; and wax distillate, the initial form of lubricating oils, paraffin, and the many commercial forms of wax.

"After being refined to its intended marketable stage, it is pumped to storage tanks. From there, it is pumped to the filling-room, where you will find a series of barrels. What most attracts the visitor's attention is the automatic filling device. This is a self-shutting valve in the end of the hose used to fill the barrels. When a barrel has become full, the oil enters an opening in the valve, and the pressure exerted is sufficient to throw the valve lever, thereby automatically stopping the flow of oil. This makes it possible for one man to attend to the filling of many barrels at the same time, and saves a considerable amount of oil that would otherwise overflow and be wasted.

"From the filling-room to the can-making department is but a few steps. Unfortunately, we arrived at an inopportune time of the day to see the department in action. Although it was then only three P.M., many of the employees had gone home. Upon inquiry, I was told that the men worked on a piece-work basis, and after they had finished a required amount of work, they were at liberty to go home. Some of them, rather fast workers I judge, start for home at half-past one.

"The next thing we were shown was the can-filling department. This room contained only one machine of long, low, three-tier construction. The upper tier was a reservoir for oil, the center one consisted of measuring boxes, and the lower one of market containers. By means of two levers, one on each of the upper and center tiers, one man is enabled to fill several thousand cans a day.

"Two of these cans are then put in a wooden box, and slipped on a steel-roller belt which conveys them to an automatic nailing machine. This machine nails the cover on at one stroke. The next box up pushes this previous one upon another belt, where it is conveyed several hundred feet to the pier. Here, it is either stored for future delivery, or is at once placed in an oil tanker, perhaps the Robert E. Hopkins, and carried far out, over the vast empire of water, into the far-away corners of the civilized world."

The studies are made in a progressive way, and the capacity of the student for full and accurate observation is developed week by week. Moreover, the student is developed in the presentation

of his ideas in written form, and training is thus secured in the important matter of the preparation of findings in the form of working-papers or reports. The gap between theory and actuality is effectively bridged, and an understanding of fundamentals is secured that safeguards the accountant in many ways in his later vocational work, and helps him in making vocational progress.

ARTHUR T. GORMLEY, Pace Institute, Boston, was successful in the recent examinations for appointment as agent in the Department of Internal Revenue. In the competitive examination, Mr. Gormley secured an average of 84¼ per cent., and his name was consequently placed twentieth on the list of those certified as being eligible for appointment.

GEORGE C. BINGHAM, a student in Pace Institute, Extension Division, is with the Powers-Kennedy Contracting Corporation, 149 Broadway, New York City. This company has just secured the contract to build the four-million dollar Queensboro Subway Extension. This is the largest subway contract ever awarded in the city of New York.

EDWARD KNIESTE, Class A2109, Pace Institute, New York, through the Pace Agency for Placements, Inc., has accepted a position as bookkeeper with Arthur Todhunter, 414 Madison Avenue, New York City.

A. LINCOLN LAVINE, of the Law faculty of Pace Institute, New York, announces the removal of his Law offices from 74 Broadway to 32 Broadway, New York City.

THE New York *Globe*, in its issue of Saturday, May 6th, has this to say about a meeting of teachers held at Pace Institute, New York City, on Friday evening, May 5th:

"Homer S. Pace, of Pace Institute, showed a group of high-school principals and teachers last night how slides may be used in helping get before students of accounting quickly and effectively the simple, as well as the most intricate, details of accounting. Incidentally, he remarked that attendance in classes in which slides were used was much better than those not utilizing visual aids. Members of the faculty assisted in the demonstration, explaining the use of the charts and giving a sample lesson.

"The importance of a thorough education was stressed by Mr. Pace, who declared that business men now preferred the applicant who had had at least a four-year academic education to the graduate of a short-course commercial school. The former advanced more rapidly. He suggested that principals and teachers impress upon students the desirability of the four-year academic course for those going into business.

"As evidence of his belief in this procedure he announced that the Institute would award two scholarships—one to graduates of the academic course, and the other to graduates of the commercial."

JOHN L. LOESEL, Class A2112, Pace Institute, New York, recently accepted, through the Pace Agency for Placements, Inc., a position as bookkeeper with W. P. Colton Company, 165 Broadway, New York City. Mr. Loesel was formerly with the Fulper Pottery Company, Flemington, N. J.

ON the afternoon of Saturday, April 22, 1922, in conjunction with the regular annual banquet of the Pace Club of New York, the second annual convention of the National Federation of Pace Clubs was held. Representatives were present from schools and clubs in Washington, Baltimore, Trenton, Newark, Boston, Buffalo, and New York, and regrets were received from a half dozen other schools that were unable to send delegates.

The following officers were elected for the ensuing year:

President.....J. H. Bulin, New York
V.-Pres.....H. A. Feldmann, Baltimore
V.-Pres.....J. C. Bondurant, Washington
Vice-President.....C. Lewan, Newark
Vice-Pres.....Godfrey Schroth, Trenton
Treasurer.....R. E. North, Baltimore
Secretary.....J. B. Hill, New York
Director of Publicity

F. R. Hazard, New York

A program of activity for the coming year, including the building up of alumni contacts in each of the various member clubs, the handling of magazine subscriptions at reduced rates through national headquarters, the furthering of the interests of Pace Club members in all the various schools, and the engendering of the Club spirit among the forty-two schools throughout the United States, was adopted. It is expected that the third annual convention, which will be held in Baltimore in the spring of next year, will show an even larger and stronger organization.

ALPHONSE KOCH, a former student of Pace Institute, New York, has for some time been a member of the professional staff of Max Fink, C. P. A., 299 Broadway, New York City.

Summer Day Classes at Pace Institute, New York

A new class in Accountancy and Business Administration (Semester A) will be organized in the Day-School Division of Pace Institute, New York, on

Thursday, July Sixth, Nine-thirty a.m.

The work of Semester A will be completed in twelve weeks. Regular class sessions will be held daily, from 9:30 to 11:30 a.m. A special class in Business English, Report, and Letter Writing will also be offered. The afternoons will be devoted to supervised study at the Institute, and to special lectures and trips of inspection to the offices and plants of New York's largest business and industrial organizations. Write for the new Bulletin of the Day-School Division and further information concerning the Summer Day Class forming on July Sixth.

Pace & Pace

30 Church Street

New York City